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P.02

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ELLEN OPPENHEIM
GENERAL MANAGER

December 8, 2000

BY FACSIMILE

Mr. Philip J. Gund
Family Golf Centers, Inc.
538 Broadhollow Road
Suite 410E
Melville, NY 11747

Dear Mr. Gund:

Thank you for your letter transmitted by facsimile on December 1, 2000. In that letter you indicate that Family Golf Centers, Inc., is considering assigning the Concession Agreement No. 249 for operation of the Encino-Balboa Golf Professional Concession to another entity. In our prior discussion referenced in your letter, you also told me that Family Golf Centers, Inc., did not intend to perform its obligation under the contract for the construction of the agreed upon capital improvements, which capital improvements are a major consideration and inducement for the City. Your statements can only be deemed to be an anticipatory repudiation of the contract.

Section 10. Capital Investment Program, of Agreement No. 249 requires the Concessionaire to make, to the satisfaction of the City, improvements to the Pro Shop, Range Shop, and Driving Range, at a cost no less than \$1,670,000 exclusive of equipment, design, planning, architectural, consulting, and supervision costs and fees. The final plans were approved by the Department by letter dated June 29, 2000, at which time the Concessionaire was directed, in accordance with the Agreement, to cause the work called for as approved to be commenced forthwith. The plans were submitted to the Department of Building and Safety on July 17, 2000, for the issuance of building permits. All necessary permits were signed off and ready for pick-up from Building and Safety on or about November 20, 2000, but as of this writing Family Golf Centers, Inc., has not obtained the permits and has not commenced work on the improvements. This also constitutes a default in accordance with Section 17. Termination, Paragraph A.3., in as much as the Concessionaire has failed to keep, perform, or observe a promise, term, covenant or condition set forth in the Agreement. Failure to cure this default by commencing the improvement project within 30 days of this date (January 7, 2001) will result in the City initiating necessary legal action in the Bankruptcy Court or such other court of competent jurisdiction to terminate Agreement No. 249.



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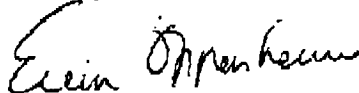
Dec 8 2000 15:13

P.03

Mr. Phillip J. Gund
December 8, 2000
Page 2

Furthermore, the City does not concede that the Concession Agreement is assignable absent the City's consent. It is the City's view that applicable law bars assignment to any third party. Notwithstanding the foregoing, and reserving all rights, claims, and defenses, the City is willing to receive information about any proposed assignee and to review additional details of any assignment proposal, without prejudice to the City's claim that Family Golf Centers, Inc., is in default and must cure its default in 30 days. We will await timely receipt of written materials or participate as soon as possible in a meeting with your representatives and those of the proposed assignee. Please contact me at (213) 473-6833 or Linda Barth at (213) 485-5520 to pursue this matter.

Sincerely,



ELLEN OPPENHEIM
General Manager

EO:MM:LB/la